



LOH-GRONAGER  
PARTNERS





# WHAT MAKES A SUCCESSFUL VALUE INVESTOR?

PART V – FOCUS

In this, Part V of our Multi-Part Series (published monthly), we are going to Focus (pun intended) on what it takes to be a contrarian investor. The ability to focus on the task at hand free from any distractions is a vital skill to answer the question:

### What makes a successful value investor?

If you have not already read Power Vs. Force by David Hawkins, then I recommend purchasing a copy (available [here](#)). While you wait for it to be delivered though, you may as well read on...Hawkins proposes that Power comes from within from internal principles that we each choose to embody whereas Force comes from external factors and is therefore significantly inferior. He has a great ability to simplify complex sociological and psychological concepts and distil them into easy-to-understand concepts. When talking about mastery of a subject, I think he also summarises well the Power of Focus:

*'Dedication of an unusual degree is required to achieve mastery, and in the simplest definition, one could say that genius is the capacity for an extraordinary degree of mastery in one's calling. A formula followed by geniuses, prominent or not, is: Do what you like to do best, and do it to the very best of your ability.'*

Bill Gates Sr. (the father of Bill Gates Jr. of Microsoft fame) tells the story that it was only upon his insistence that his son agreed to a meeting at his holiday home with Warren Buffett, who happened to be in town at the same time. Bill Jr. thought he would have nothing in common with someone 'that just picks stocks' but after re-arranging several times he finally agreed to meet. According to Bill Sr. the evening began with an ice breaker where everyone was given a pen and paper to answer a question posed to the group. The first question was 'What is the one word you would use to describe as responsible for your success.' Warren and Bill Jr. both answered the same 'Focus' and so began a decades long friendship and mentorship.

You have to know as an individual what your priorities are in life and then work towards achieving them. For the 'Outliers' (another excellent book by Malcolm Gladwell of the same name, available [here](#)) of the investment world or in fact in any discipline, hard-work, dedication and the pursuit of excellence would all be pre-requisites for success. For successful investors, they love what they do, they focus exclusively on it and their success is a direct result of their intensity of focus on their area of interest. While shielding themselves from the countless distractions which could hamper their pursuit of excellence.

The market is always full of distractions whether that be other people's opinions, filling your diary with analyst calls and company meetings, or the various menial administrative tasks that should either be delegated or done in one go. We marvel today at the speed and convenience of email, the internet and webcam meetings that are all potentially great time saving inventions, but they can just as easily be huge distractions. Personally, I prefer to only look at my emails once in the morning and once in the evening, as the harsh reality is that no one is that important that they need to be reachable every second of every day...(that last sentence may be worth re-reading for some people) with the exception maybe of the man or woman who carries the nuclear launch codes.

It requires immense discipline to say 'no', in fact, I find that many people have an inability to say 'no'. As an investor, the reality is you will likely say 'no' to 99% of the opportunities presented to you, so you have to be comfortable with it. You will have to say no to going out for lunch and dinner every day. You will have to say no to drinking to excess 5 nights of the week. Sacrifices have to be made for you to perform at your peak. You have to think like an endurance athlete, and anything that impedes your chances of success has to be measured against how important success is to you. To the greatest investors the first measure of success is their performance and that is the \$ and ¢ attributable to their names. Next usually comes the even harder part, which is how to give it all away well, but we will save discussing that for another time.

We must not let external sources dominate our time and thinking. As investors we are 'truth' seekers, looking for facts not opinions. The great majority of our time then should be spent in calm and considered study of: newspapers, trade magazines, annual reports and other factual sources. We must be the master of our own environment, carefully cultivating our intellectual intake and avoiding costly distractions. No matter who you are, there are only 24 hours in a day and outside of sleeping, eating and exercising there are a limited number of high-functioning, productive hours left in the day that can be maximised. Ultimately, we are each in charge of how accessible we are and how open we are to distractions, as the old adage goes: 'time is money!'

Human nature being what it is, we have limited attention spans and will almost always opt for speed and convenience over a more careful and deliberate approach. Hence the insatiable rise of online gambling and instant trading platforms. These focus on the innate human desire to exert the minimum effort for the maximum reward or 'to get rich quick.' This essentially explains why gambling has been a part of human civilization since the earliest records began. To compensate for this base desire, I suggest that as investors we first focus our attention on investments that are 'easy' i.e. that are 'no-brainers' and upon finding them they 'hit you over the head like a two by four'. We are looking for investments that we can explain to a five year old in a sentence or two and for them to grasp the opportunity set as well as the innate downside protection of the investment.

As Jason Zweig, the editor of latest edition of Graham's [The Intelligent Investor](#), (available [here](#)) wrote:

*'Think of Munger and Miller and Buffett: guys who just won't spend a minute of time or an iota of mental energy doing or thinking about anything that doesn't make them better...Their skill is a focus on self-honesty. They don't lie to themselves about what they are and aren't good at. Being honest with yourself like that has to be part of the secret. It's so hard and so painful to do, but so important.'*

Adopting small, incremental and positive changes into your routine and persevering with them over time will ensure they become habits and therefore second nature. Whether that's writing down a daily journal and noting where significant portions of our time is wasted/unproductive or switching the phone to silent mode for set periods of intense concentration. All of these changes will add materially to our mental firepower when conducting our investment process. The point is not perfection, but to always be moving in the right direction.

I trust you have enjoyed our journey together so far however, if our paths diverge from here, then as the investing legend, Charlie Munger says, 'In the investment business, all knowledge is cumulative' and in this spirit, we wish you continued success on your journey!

Yours sincerely



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